

Discussion Statement No. 11 October 1934
Material Suggested for use in developing discussion
of problems of agricultural adjustment

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LAND USE AND HUMAN WELFARE: A PROGRESS REPORT

Adapted from radio talk by H. R. Tolley, Director,
Program Planning Division, Agricultural Adjustment
Administration, on National Farm and Home Hour,
September 21, 1934.

During the past six months there has been measurable progress toward setting up a rational program of land use in the United States. An intensive effort has been made to gather the facts that we must have in order to set up a sound program for the future use of our land. Steps have also been taken to give some farm families who now are waging a losing fight to wrest a living from thin, mean land, a new chance under better circumstances.

These steps represent the beginning of action to eliminate definitely sub-marginal land from destructive competition with good land. For a decade now our national leaders, regardless of partisan affiliation, have urged such a course.

However, there are some pertinent facts which should be considered about the relation of poor-land farming to the problem of balancing our total agricultural production with effective demand.

Sub-Marginal Land Retirement Not Sufficient for Production Adjustment

Many people have felt that this so-called sub-marginal land is largely responsible for lack of balance between production and demand; that if it only were retired from cultivation, the agricultural situation would be corrected immediately.

But the facts do considerable violence to this theory. It is apparent to those who have given the most thought to the agricultural situation, that to keep production in balance careful adjustment of production on good land must accompany the retirement of poor land, at least until such time as the demand among our consumers in this and foreign countries for the products of our farms increases materially above present levels.

And after all the main reasons for retiring the poorest land from farm production are reasons of human welfare. Such land does add something to commercial farm production. But our main concern with it in a rational program of land use is to stop the wastage of human effort that occurs when farm families try to make a living from it.

The people now operating such farms, and their children, are condemned to a worse than peasant standard of living. It would be sensible as well as decent to give such people an opportunity to sell and move to where they will have a better chance to live at an American standard.

Human welfare has been considered first in the steps so far taken to retire very poor land from farm production, and help the people now on it to make a new start.

So far, funds for buying land have been set aside in two allotments. The first allotment of 25 million dollars was from the Public Works Administration and is for use in any part of the country. The second allotment was of $12\frac{1}{2}$ million dollars. It is from the Drought Relief funds appropriated by the last Congress, and is to be used in purchase of land that is definitely a very poor risk for farming because it lies in too dry a climate.

Several agencies share in the administration of these funds. The list includes the Federal Emergency Relief Administration, the National Park Service, the Bureau of Indian Affairs, the Agricultural Adjustment Administration, and the Biological Survey.

Poor farm land is being acquired for various purposes -- for forests, for park uses, for Indian projects, for wild life refuges. Those parcels of land selected for acquisition are to be used in demonstration sub-marginal agricultural projects.

Purchase Too Poor for Farming

So far, some 37 areas have been tentatively chosen in which to set up such projects. In each area the land is so poor that farmers now on it cannot make a decent living. In some areas the land has been impoverished by erosion past the point of possible recovery. In others, and this is especially true of projects in the Appalachian mountain sections, the land is so rough and the holdings of the individual farmers so small that they can't derive enough income to live at anything but a starvation standard.

In still other places, the land is cutover area of thin soil with the rock so close underneath that it is droughty and infertile. In one area the farmers can't make it because of a scanty water supply for household and stock use. In another, the grazing land has been overstocked and it must be organized into larger units if the men that stay on it are to have an income that will support their families.

But whatever the character of the handicap that is placed upon the farm families now occupying the land, the plan of operation for their relief is to block up an area of good size in the center of the district, offer to buy it from

the owners at an agreed price and, after the purchases have been negotiated, put it to some useful purpose. The land in some districts will be put back into trees. In others, it will be reorganized into grazing units of an economic size. In others it will be made into wild life refuges. In others it will be used for recreational purposes.

Land Purchases Important to Farm Families and Communities

Whatever the use to which the land is put, we will have a demonstration of the practicability, or impracticability, of its new use. That is why we designate the projects as submarginal agricultural demonstrations.

The amount of land involved in the 37 areas tentatively chosen is about $2\frac{1}{2}$ million acres and options are being taken on this land. Because of its low productivity this $2\frac{1}{2}$ million acres will not mean much one way or the other to the total volume of our commercial farm production. But the important thing is what it will mean to the farm families and the nearby communities.

Federal funds are to be made available to help the people who sell their land get a new start in a place where they will have a chance to live at a better standard. Some of the people are being offered an opportunity to move to better farms. Others will go on small subsistence farms located near the borders of forests or wild life refuges in which they will have work enough to furnish a money income for the purchase of part of their living.

In a number of communities that are sparsely settled, the escape of the families on submarginal farms scattered here and there will make it possible to bring about economies in costs of roads, schools, and other governmental services. This should relieve the tax burden on the people remaining on the better land and in the villages.

But, though the submarginal land buying program that will be carried out with the funds now available means salvation to thousands of families, and relief to many communities, it represents only the merest beginning on the total task outlined in the President's message of last spring on social security, land uses, and water use.

Prepare Report On Land Utilization

In order to amass the facts regarding land and water required for planning toward the ends outlined by the President in that message, the National Resources Board has been created. The Agricultural Adjustment Administration is, of course, working closely with this board. M. L. Wilson, Assistant Secretary of Agriculture, is chairman of the Board's Committee on land use and policy. Dr. Gray, chief of the Land Policy Section of the AAA Program Planning Division is in charge of a group of men preparing a report on land utilization and policy which is to be made to the President by the Board in December. All agencies of the Federal Government which have responsibilities in connection with our land resources, all of the State agricultural colleges, and many State departments of conservation are contributing to make this report the most significant of its kind ever prepared.

First of all, the report will analyze the present and future needs of the Nation for the different goods that the land produces -- foods and fibres, wood, areas of natural beauty for recreational purposes, facilities for city water supplies, refuges for wild life, and so on. To indicate how much land the Nation

will need for farm production, the report will delve into the prospects for future growth of population, and level of income and standard of living of the people in this country; it will assess the outlook for selling farm products to foreign countries; it will survey the trends in production per acre of crop land and pasture land. The report will include similarly detailed analysis of the needs for land in forests, in parks and other recreational areas, and reserved as a habitat for wild life.

Following the survey of future needs for land, the report will give an inventory of our land resources and how they can be used most efficiently for farming, forestry, and the other purposes. This will be a very close and thorough study. For example, in the section of the report dealing with the total farm land resources of the country, there will be given a classification of the arable land now in farms. This will indicate where is located the land that beyond dispute will not yield an adequate return to farmers. It also will indicate the sections where the land would give farm families a fair chance to make a decent living if only it were farmed in large enough units, or if the income from the land were supplemented with part-time employment, or if the capital burdens on the land, as in some irrigation and drainage districts, could be scaled down.

Seek Best Use of Land for General Welfare

After assessing the future need for land, and the resources available to meet this need, the report will present suggestions for procedure in organizing and operating a program that will bring about the use of our land which will best serve the general welfare. In this section will be set forth the basic facts and principles that must be followed in dealing with many knotty problems. For example, the problem created by the fact that our farms even now are producing many more children than can find employment on the land when they come to adult estate; and that with things as they are now there is little room for them in the cities. This is no academic matter. Every day, the relief workers are defraying money in order to grapple with this problem, and the related problem created by the fact that urban unemployment has forced back onto the land many farm-bred young people who had gone to the city. The pressure of population on the land undoubtedly is increasing just now. That means that at present provision must be made for more rural employment. Probably the ultimate solution is to make provision for more industrial employment; perhaps in the cities, more probably in decentralized industrial communities where the workers may gain part of their subsistence from small plots of land.

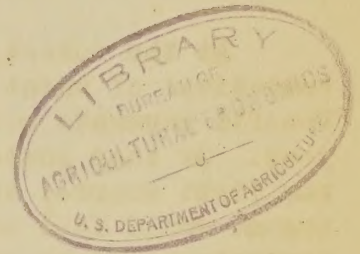
Of course, it is not certain as yet that such small industrial centers in the open country are to be the American escape from the problem of the city slums and the rural slums. But our people are determined to escape from a slum standard of living. The forthcoming report of the National Resources Board on land utilization and policy should help us to find the way out.

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AAA PROGRAMS HELP TO SOLVE PROBLEMS CREATED
BY THE DROUGHT



Adapted from address of Chester C. Davis, Administrator of the Agricultural Adjustment Act, before a conference of Agricultural Extension workers at the University Farm, St. Paul, Minn., October 12, 1934.

As farmers look forward to a new start in 1935 and the possibilities of using the Agricultural Adjustment Act to meet their problems, one of the big tasks ahead of them is to complete the liquidation of the consequences of this year's drought.

The farmers themselves in their discussions within their own county production control associations, and in the assistance given us by their leaders, will play a determining part in forming and carrying out programs to overcome the effects of the drought.

Everyone recognizes that the first and most vital step in the conquest of the drought already has been taken. I mean that above all it is necessary to find ways to keep the farmer on the land and to place him in a position so that he can go ahead with production next year. I say that this was a vital step for the farmer. But it is also of supreme importance to the towns and cities in the agricultural areas and to the business interests which depend directly upon farm buying power.

The plan of farm cooperation under the Agricultural Adjustment Act was distinctly new. Complete public understanding of it was too much to expect. So, before discussing the adjustment program and the drought, I would like to explain the exact nature of benefit payments, since that term must be used frequently.

Benefit Payments Part of Farmers' Earned Income

A part of what the consumer pays for bread, and meat, and cotton goods, and tobacco, goes to pay the farmer for the raw material he furnishes, his crops. The market price for a bushel of wheat, or a load of hogs, and the processing tax on the wheat and the hogs, combine to make up the farmer's returns. The market price goes alike to the cooperating and the noncooperating farmer, under the adjustment program. The proceeds from processing taxes on a commodity go only to the cooperating farmers who have agreed to do their part toward adjustment of production for

the benefit of all producers of that crop. These proceeds are distributed by the Government in the form of what the law itself calls benefit payments. These payments are just as much a part of the farmer's earned income as the market price he receives. They are not gifts or subsidies. The consumer has paid for them in the cost of the goods he buys. They are definitely a part of the farmer's price, but he receives them only if he adjusts his productive effort to the level that is best for his industry.

At the outset, while we were planning the wheat program along with representatives of wheat growers' associations, we had an important choice to make. Benefit payments could be based on actual production and marketings in any given year. Or they could be based on the average of past production. If we had chosen the first course, then in cases of partial or total crop failure, the farmer's income would fall not only because he had little to sell, but because his benefit payments would be reduced accordingly. We chose the second course, by which, even though drought ruined a man's crop, his benefit payment would come to him just the same as if he had grown a bumper crop.

Payments Prove To Be Crop Insurance

Those of us who have been working with the law have come to refer to this feature of the benefit payments as "crop insurance", because roughly that is the way it has worked out. A conspicuous, striking illustration may be given in the case of wheat benefit payments in South Dakota. The approximate cash income from sale of the wheat crop in that State in 1933 was \$316,000. But the total of benefit payments for the first year's wheat program in South Dakota amounted to \$5,130,000 because the benefit payments were based on records of production under average conditions. In that case, the benefit payments were 16 times as important to South Dakota farmers as was the income for the sale of the wheat crop.

These crop insurance features of the Agricultural Adjustment Administration's program have proved of great value. Farmers who have crops and livestock to sell are getting much better prices. Those whose crops have been curtailed or completely destroyed by drought still have an income from benefit payments, if they participated in the Agricultural Adjustment Administration control programs.

The importance of this crop insurance in the case of corn-hog benefit payments is shown in Minnesota. Minnesota's production of corn this year, estimated as of September 1, will be about 52 million bushels below the average production for the five years, 1929 to 1933. Minnesota has that much less corn to convert into farm income by sale or by feeding. That is on the debit side. But Minnesota is getting benefit payments totalling \$14,932,000 on its 1934 production of corn and hogs. In other words, its corn and hog crop was insured by that amount when its farmers signed the corn-hog contracts. That total of benefit payments would buy those 52 million bushels at about 29 cents a bushel. It was not very long ago that 20 cents a bushel was considered a pretty good price for corn in Minnesota. Through benefit payments the State had its corn crop loss insured, and it is recovering on its loss at the rate of 29 cents a bushel.

Similarly, the neighboring States of Montana, North and South Dakota, which rely on their wheat production for a large share of their farm income are recovering a generous portion of their wheat losses through benefit payments. Our latest estimates indicate that South Dakota's wheat production this year will approximate

3,264,000 bushels. This is but little more than one-tenth of the average production in the five year period, 1929 to 1933. The loss in North Dakota and Montana was not as heavy, but the indicated production of the three States for this year is nearly 98 million bushels below their five-year average. As against this loss, these States are getting \$26,697,000 wheat benefit payments on this year's production. That is recovering on their loss at the rate of 27 cents a bushel.

Benefit payments are one factor contributing to increased farm income in the Northwest. Rising prices are another. The substantial increase in hog prices and the higher prices of grains, dairy and poultry products are factors in the confidence with which farmers and business now look toward the future.

Business of Communities Sustained

Circulation of farm income brings life blood to the business of thousands of communities in States that are dominantly agricultural. Business in these areas lives on crops and prices for farm products. The drought served to emphasize that. You miss the water most when the well runs dry. And thousands of communities watched with alarm as the sun dried up both crops and the source of their income. Some of the newspapers in drought States which were not fully reconciled to benefit payments before now are carefully calling distribution of farm income in this form to the attention of their markets in the east. Benefit payments are contributing an important part to the maintenance of business in the agricultural States, particularly where crops were destroyed by drought.

Business right now, we are told, wants security more than anything else. Business in the agricultural States is getting a liberal application of security in the distribution of benefit payments. In 1932 and 1933 about half of North Dakota's farm income came from wheat. Before the wheat crop matured this year, North Dakota's business had the assurance that benefit payments on this year's production would bring into the State over 14 million dollars. Now that is 4 million dollars more than the cash farm income from North Dakota's wheat in 1931, and about half of the total income from wheat in 1932. Regardless of vicissitudes of weather, regardless of drought or pest, this contribution to North Dakota's prosperity was assured. Business could not be sure about the weather, the price of wheat and whether there would be a crop at all. But business could definitely plan on income from benefit payments.

South Dakota's business puts equal reliance on agricultural income. At the beginning of the crop season, the almanac and the more scientific weather prophets could give the State little assurance of what the markets would offer it this year. But the State did have assurance that benefit payments would bring 14 million dollars on corn and hog production, and the cash income from these two products in 1932 was but little more than 15 million dollars. South Dakota's business did have the assurance that wheat benefit checks totalling over 5 million dollars would come into the State on this year's wheat production. South Dakota in viewing the prospects for this year had the assurance that benefit payments on this year's production of corn, hogs and wheat would approximate 19 million dollars. That is in addition to the amount market sales would bring. South Dakota's total cash income from these products in 1933, exclusive of benefit payments, was only a little more than 19 million dollars.

Benefits Play Major Roll In Farm Income Increase

Benefit payments are playing a major role in this year's increase in farm income. It now appears that farm cash income for 1934 will total 6 billion dollars. That is a billion dollars more than the 1933 cash income. Benefit payments will account for 520 million dollars -- more than half of the total increase.

The program for liquidating the consequences of the drought, has been broadened from time to time to include other steps.

The drought sharply curtailed feed supplies. It reduced feed to a point inadequate to maintain the large numbers of livestock on the farms. Two methods of helping the farmer were open. One was through purchase and utilization of livestock which otherwise would have died from thirst or starvation. The other was through conserving feed supplies so as to maintain foundation herds on the farm. Both methods have been employed by the Government. The Agricultural Adjustment Administration has purchased nearly seven million head of cattle and two million sheep, keeping these animals out of regular markets where prices would inevitably have collapsed if the Agricultural Adjustment Administration had not been able to buy them, and if emergency relief had not been able to process them for free distribution among relief families. At the Government's suggestion, freight rates have been lowered to encourage movement of cattle to available pasture, and feed into deficiency areas.

To conserve feed, the use of both contracted and non-contracted acres for planting of late forage was encouraged. Areas yielding tons of feed supplies were sown in June. A program of encouraging farmers to harvest fodder, stover and soy bean hay was worked out. Funds obtained by farmers from emergency cattle sales placed them in a better position to maintain their remaining animals.

But in spite of these steps, all of the consequences of the drought have not yet been liquidated. Through the coming winter, it will be essential to press our efforts to conserve feed supplies. The emphasis now must be not on buying more cattle, but on maintaining on the farms all possible numbers of beef and dairy animals. There have been some advantageous consequences of the drought. To some extent it served as a culling program. The reduction of poor stock was greater than the reduction of good stock. The emergency buying program did not make enough distinction in prices between good and poor stock to encourage farmers to dispose of good animals. With feed prices high farmers are keeping their best animals which can utilize expensive feed more efficiently than poor stock can.

Aid To The Livestock Industry

We are now concerned with assuring preservation of the livestock industry. In this the individual ingenuity of the farmers themselves, which already has been demonstrated in many ways during the drought, will be challenged.

A difficult problem of the future will be the maintenance of a balance between feed supplies and livestock numbers so as to avoid the cycles of low prices and livestock which have distressed farmers in the past. Reserves of feed and forage must be restored without setting out again on the road toward another disastrous adventure in piling up surpluses.

A favorable adjustment of supplies with markets has been reached. From this point on the problem is to maintain this balance, increasing our production in step with advancing consumer buying power. Through individual farm management and through cooperative control of the industry, farmers can now build on a sound economic foundation.

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